



Fact Sheet

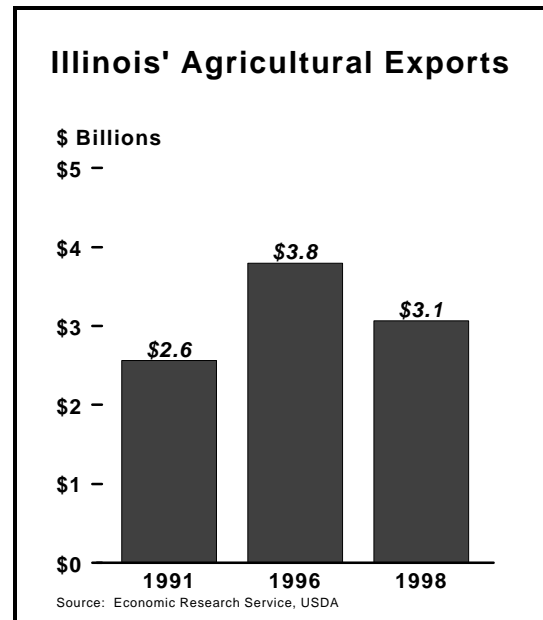
U.S. Department of Agriculture
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Permanent Normal Trade Relations with China **What's at Stake for Illinois?**

Illinois is a leading producer of agricultural products and a major exporter. Forest products are also important. The state's farm cash receipts and solid wood industry shipments totaled \$7.7 billion in 1998 and \$1.1 billion in 1996, respectively. As for exports, Illinois ranked third among all 50 states, with the value of agricultural products leaving the state estimated at \$3.1 billion in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

Trade Benefits

The following key products are important to Illinois, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).



- # **Soybeans and Products**--As the nation's second largest soybean producer, Illinois' soybean and product exports worldwide were estimated at \$1.4 billion in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.
- # **Corn**--As the nation's second largest feed corn producer, Illinois' feed grains and product exports worldwide were estimated at \$916 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.
- # **Pork and Beef**--With the fourth largest hog inventory and the 12th largest cattle on feed inventory, Illinois' live animal and red meat exports were estimated at \$241 million in 1998. China currently imports very little beef, but income growth and rising demand from urban

centers are expected to result in significantly increased demand for imports. China consumes far more pork than any other country, but its trade barriers have effectively closed its market to imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef cuts, and from 45 percent to 25 percent on chilled beef, by 2004. It will also cut its tariffs on frozen pork cuts and beef and pork offal from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef and pork from the United States that is certified wholesome by USDA.